TDI FRAUD UNIT WANTS YOUR HELP FIGHTING FRAUD

Section 701.051 of the Texas Insurance Code requires insurers to report suspected fraudulent insurance acts to the Fraud Unit. In FY 2011, insurers filed more than 11,000 fraud reports. However, the Fraud Unit initiated only 577 insurance fraud investigations, due in part to incomplete or insufficient fraud reports.

The Fraud Unit pulled a sampling of 2012 fraud reports from insurers writing automobile insurance, homeowners insurance, and workers' compensation insurance and created a grade sheet to evaluate each report. The grade sheet consisted of four major categories of criteria requested on the fraud report: suspect category, synopsis category, loss category, and investigations category. The maximum score was 50 points. The minimum passing score was 40. The Fraud Unit evaluated 150 reports, 10 reports from each insurer and from the three product lines.

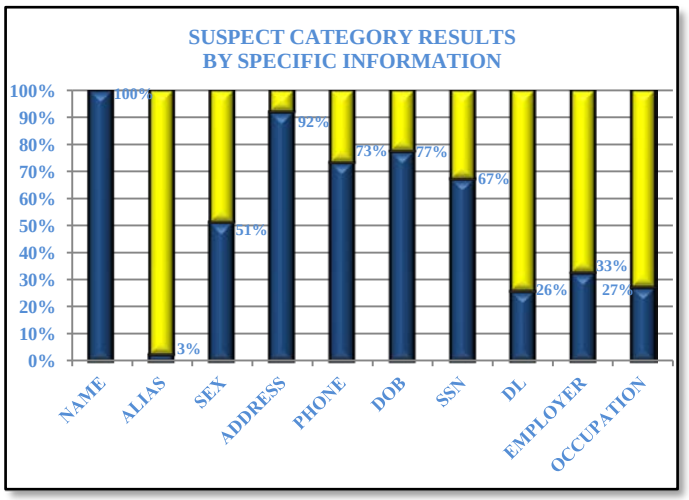
Results and Observations

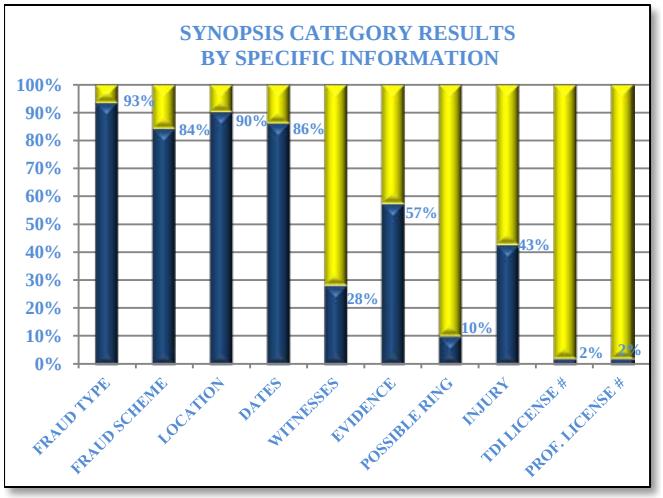
Only two of the 150 fraud reports initially graded received passing scores. Both involved workers' compensation insurance fraud. The average score for the three product lines is shown below:

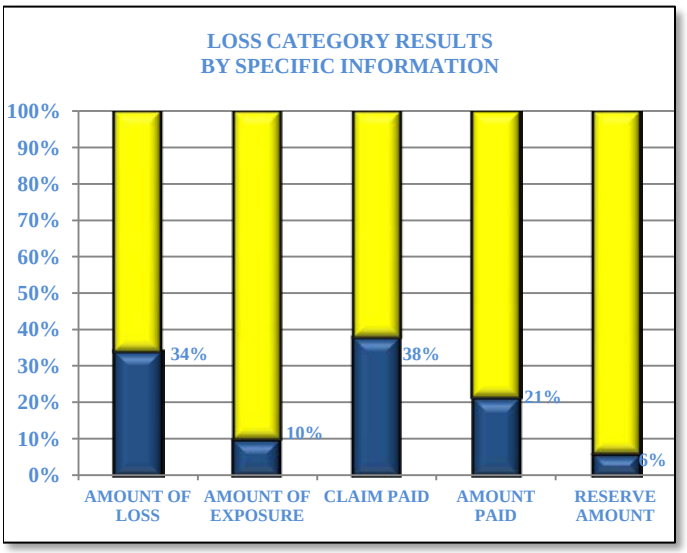
- Automobile insurance fraud report score average: 18.1 out of 50
- Homeowners insurance fraud report score average: 19.2 out of 50
- Workers' compensation fraud report score average: 22.7 out of 50

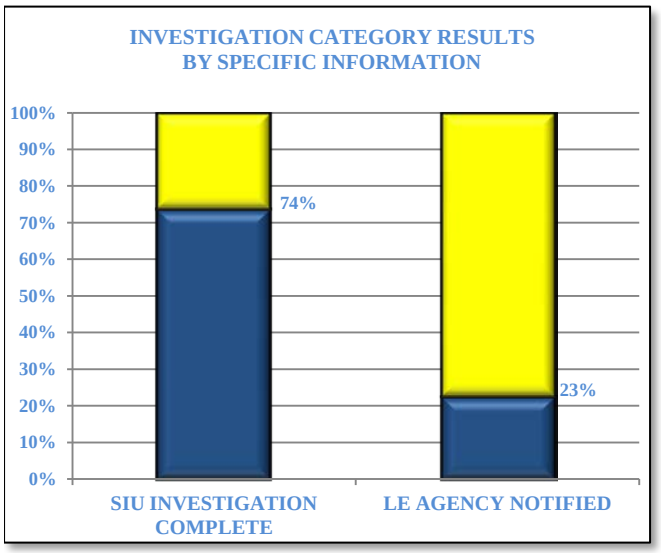
Staff reviewed scores for each category to determine whether one or more major categories of information were consistently deficient. The results indicated that two of the four major categories and three subcategories were deficient. In particular, three critical items – amount of the loss, amount paid, and whether another law enforcement agency had been notified – were consistently omitted. Including these items would improve the quality of fraud reports and would enable the Fraud Unit to better evaluate allegations of fraudulent insurance activity.

The following tables show the four major categories evaluated and the percentage of reports that included the desired information:









Conclusion

The Fraud Unit identified numerous common deficiencies in the fraud reports. Of the common deficiencies, we deemed three to be critical information: amount of the loss, amount paid, and whether another law enforcement agency had been notified.

The Fraud Unit wants to enhance its partnership with the insurance industry Special Investigative Units. As part of our outreach efforts, we will include training in fraud reporting, as it is an important element in the effort to fight insurance fraud.